

157 conditioned by the fact that it was an agricultural country developing with the aid of foreign capital. A positive balance of trade was usually devoted to covering the invisible exports—interest on state borrowings and returns on foreign capital invested in the country. Under postwar circumstances, the fairly stable situation which had obtained before 1914 was thrown out of equilibrium as a consequence of war losses, the incurrence of war debts, and the decline in cereal exports. German investments, which had been of major importance before the war, were cut off and were not replaced by an equivalent influx from the West. Despite Rumania's generally favorable balance of trade, the balance of payments was negative.

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652 Rumania's financial position was further weakened by the chronic instability of the leu. Following the First World War the leu depreciated until 1927. It was legally stabilized in 1929 with the aid of an international loan of \$100 million. This effort, however, was wrecked by the depression and the collapse of central European finance in 1931. In the 1930's Rumania, though at a somewhat later date than the other Balkan states, was forced to introduce exchange controls and suspend a considerable portion of the foreign debt payment. The gradual move toward increasing financial and commercial controls was largely a consequence of exchange difficulties. Despite the relatively favorable commercial position, Rumania was even less successful than the other Balkan states in achieving monetary stability, and the value of the leu continued to decline. By 1939 the Rumanian monetary situation was altogether chaotic, and the diversity of the rates of the leu made it impossible to ascertain the real value of the money.²⁰

It is beyond the scope of this study to analyze the tortuous course of Rumanian financial and monetary policy, which was extremely complicated, subject to frequent change, and not successful in achieving its aims. In general, the financial field showed Rumanian administration at its worst. While the real difficulty was basically that of an immature economy attempting to catch up with a world economy—itself in serious crisis—the fact that Rumania, although in a somewhat better commercial position than the other Balkan states, was even less successful in its financial policy must be attributed largely to the political circumstances of the 1930's.

● 452 To some extent Rumania's financial vicissitudes by-passed the peasant in so far as he was leading a self-subsistent, nonmonetary life. He was principally affected in his requirements for credit. Although, as has been mentioned above, the Rumanian peasant was not in a

20. Madgearu, *op. cit.*, p. 825.

position to utilize credit very effectively, he was burdened with debts. These debts, for the most part, had not been contracted for capital investment in improved agricultural equipment but rather to meet his deficit of net income or to enable him to purchase land.²¹ The supply of credit to agriculture was not sufficient to ease this burden. The underlying difficulty, of course, was the general lack of capital in Rumania; the available supply moved toward industry, a more remunerative and less precarious field than agriculture. It is not easy to determine whether credit discrimination in favor of industry was greater than the difference in risk between agriculture and industry. Certainly Rumanian agriculture offered very little security to loans, especially since many of the new allotments of land were legally inalienable.

But just as industry was being consciously fostered, so the diversion of credit away from agriculture was not solely the result of economic factors. For one thing, credit institutions were primarily designed for the benefit of industry; in 1925 the governor of the National Bank remarked that while Rumania had a national bank to help trade and a Society for Industrial Credit to help industry, there was no organized agricultural credit on a similar scale.²² In any event, by 1938 industry was receiving double the amount of credit going to agriculture, not including foreign credit. Between 1928 and 1938 the National Bank's discounts to industry rose from 32.02 to 55.95 per cent of the total, whereas discounts for agriculture dropped from 22.97 to 4.94 per cent.²³ Under these circumstances it is not surprising that many a peasant was forced to go to the usurer to whom he had to pay exorbitant rates of interest, and went on from year to year falling deeper and deeper into debt.

Standard of Living

Unfortunately, there are no sound official evaluations of the Rumanian national income. Certain estimates have been made but they can serve only as a rough guide. Colin Clark has put the Rumanian income per head of working population, between the years 1925 and 1934, at 243 international units (i.e., the amount of goods and services that could be purchased for \$1 in the United States over the

21. In 1928 the interest charge on debts equalled 10 to 11 per cent of the average gross income on 6,000 farms; after the agrarian depression, in 1931, this rose to 35 per cent. N. Cornăţeanu, "Effects of the Agricultural Crisis on Peasant Farms in Rumania," *International Review of Agriculture*, 22, No. 7 (Rome, 1931), 208E.

22. Quoted in Mitrany, *op. cit.*, p. 424.

23. Madgearu, *op. cit.*, p. 353.

656 rise to the charge that the National Peasants really represented the
665 richer peasants and the village bourgeoisie.⁴⁸

671 A similar attitude appears in the other principal agrarian measures of the National Peasants; the law for the organization of co-operation, of March 28, 1929, and the law for the organization of rural mortgages and agricultural credit of July 29, 1929. These laws were acclaimed at the time as proof of the government's concern for the peasant, but they need not be considered in great detail here.⁴⁹ Laws for credit and cooperation are hardly perennials in Rumanian legislative history, but none of them appears to have accomplished much. These particular laws were quickly blighted by the onset of the depression.

474 The law for the organization of cooperation abrogated the act passed by the Liberal government in July, 1928, which the National Peasants thought gave the state too much control over the cooperative movement. The new code was designed to broaden the legal frame "to offer the cooperatives the freedom of movement which every economic enterprise needs if it is to develop in the present economic world."⁵⁰ Notwithstanding this effort to assure greater autonomy and independence, a foreign observer concluded in 1930 that even the new regime had not abandoned the idea that the cooperatives were a government maid of all work.⁵¹ The real difficulty, as has been mentioned before, was that the poor peasant, that is, the average Rumanian, had very little to offer in a cooperative movement. Until the level of the peasantry was raised above the margin of subsistence, the cooperative movement was bound to be a name rather than a reality and to be altogether dependent upon the state for financial support and direction.

● 452 The law for the organization of rural mortgages and agricultural credit was intended to improve the channels supplying credit to agriculture, which had been seriously undernourished during the Liberal

48. This charge is given some weight when one considers Madgearu's remark, made in 1930: "With farms of medium size, limited to 25 hectares, the agricultural credit granted will be used in a more economical way and will bear fruit in a degree hitherto unknown in our agrarian organization." *Rumania's New Economic Policy*, p. 11. In a country where 75 per cent of all agricultural holdings were under 5 hectares, and 92 per cent under 10 hectares, reference to farms of medium size could have only an extremely limited application.

49. Analyses of the law for the organization of cooperatives may be found in Mitrany, *The Land and the Peasant in Rumania*, pp. 409-411, and in F. E. Manoliou, *La Réconstruction économique et financière de la Roumanie et les partis politiques*, pp. 236-237, and of the law for the reorganization of agricultural credit in Manoliou, pp. 239-243.

50. From the exposé de motifs, cited in Mitrany, *op. cit.*, p. 409.

51. "Rumania: The State as Co-operator," *Yearbook of Agricultural Co-operation*, 1930, pp. 404-428.

regime. New institutions were set up to provide credit suitable to agriculture's particular wants. It was hoped that these would stimulate the influx of foreign capital "to satisfy the needs of agricultural financing."⁵² In its form the new law was better adjusted to the needs of agriculture, but the depression completely halted the desired flow of capital. It may be doubted if this law was of primary benefit to the poor peasant, who was of necessity a bad risk and whose impoverished condition prevented him from employing credit profitably.⁵³

In addition to these financial measures, the National Peasants passed acts for the organization and reform of agricultural instruction intended to spread and popularize better agricultural techniques and to prevent trained agriculturalists from being completely absorbed by the bureaucracy; a law of July, 1929, for the reclamation of the inundated region of the Danube; measures for leasing agricultural machinery to cultivators and developing seed selection stations; and a law to promote systematic colonization in areas of sparse population. These measures, while desirable in themselves, could be of only marginal benefit.

Although the National Peasants' concern with agriculture is shown by the fact that the budget of the Ministry of Agriculture in 1929 was double that of any of the preceding postwar years,⁵⁴ the general results are somewhat flat and uninspiring. According to Madgearu ten years later, the National Peasants, because of the difficult circumstances under which they had received the stabilization loan and because of the increasingly unfavorable international economic situation, had been unable to carry out all their financial plans but had been forced to limit themselves to certain priority tasks: assuring the liquidity of the National Bank's portfolio, liquidating the state's floating debt, reconstructing the railways, and making certain productive investments. "The necessary means were lacking to create an agricultural mortgage bank."⁵⁵

Doubtless, financial difficulties and the lack of capital were important obstacles, and the depression washed away what might have been promising beginnings toward improvement in agricultural finan-

52. Madgearu, *Rumania's New Economic Policy*, p. 9.

53. Manoliou, *op. cit.*, p. 242, was of the opinion that certain measures of inspection and control, included in the law to safeguard the credit societies, would have the effect of discouraging the small cultivator and diminishing his productive efforts.

54. According to Mitrany, *op. cit.*, p. 453, after the First World War the budget of the Ministry of Agriculture had not exceeded 33,500,000 gold lei until the advent of the National Peasants. In 1929 it reached the figure of 73,500,000 gold lei.

55. Madgearu, *Evoluția economiei românești*, p. 306.

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THE ETHNIC MINORITIES AND THEIR GRIEVANCES

lei which was absorbed by Russia. Through the latter country an annual surplus of over a million tons of cereals was also marketed, as an excellent network of railway lines connected Odessa and the chief towns of Russia with Bessarabia. Further, under the Russian régime credit facilities were obtainable and a capital of some 10 million roubles or 10 milliard lei was at the disposal of the agriculturalists, while now it is reckoned that the Rumanian banks do not dispose of even 1½ milliard lei for this purpose, and in spite of the fact that the present requirements of the population are incomparably greater, since with the breaking up of the large estates, it was indispensable to provide the peasantry with funds wherewith they might buy implements and cattle for their farms. 433 452

It would appear that any civilized government, however vague its conception of its duty might be, would have proceeded to endow this province with a network of roads and railways to aid the population by thus facilitating the transport of its produce to the ports, since Odessa, the former outlet, is no longer available for this purpose. But strange to say, the Rumanian authorities have done nothing whatever; though even the construction of a few short connecting lines permitting a partial reorientation of the existing railway tracks and the construction of a grain elevator at the Danubian town of Reni would have gone a long way to relieve the strain. Even the deepening of the bed of the Pruth as far as Ungheni might have provided cheaper transport facilities to a large percentage of the available grain, which was often left to rot in the fields because overland transport charges, in the absence of roads, were found prohibitive. 489

Even out of mere solicitude for the safety of the State the Rumanian government ought to have provided means of communication whereby its army might in an emergency be concentrated on an ever-exposed frontier, in a region where a perpetual state of war exists. But even this weighty consideration has not sufficed to rouse the Bucarest Government from its self-complacency. There are, of course, persons who would explain the continual agitation brewing in Bessarabia and the predilection of its inhabitants for Russian rule by the assertion that these dunces of Moldovans (as the 668 177

GEOGRAPHIC AND ETHNOGRAPHIC NOTES

Cetatea Alba 33,495, Focșani 32,799, Botoșani 32,007, 162
Tighina 31,698, Bacau 31,264, Bălți 30,667, Giurgiu 30,348,
Piatra-Neamt 30,211, Bazargic 29,938, Roman 28,948,
Sighet 27,684 (French edition of census gives 27,646), Bar-
lad 26,189, Ismail 26,123, Lugos 23,674, Targoviște 22,482,
Tulcea 20,104, Turda 20,057, Reșița 20,008.

COMMERCIAL MORALITY

One can best judge of a country by the mentality of its 439
commercial circles, and it is not therefore amiss to enlarge 452
on this subject prior to analyzing Rumanian finance, for it
will be found that State affairs are generally conducted very
much after the business methods in vogue. In fact, as we
all know, legislation concerning finance and trade is often,
if not always, inspired and directed by the views held by
the commercial and its allied industrial and banking pro-
fessions.

An outsider would have expected that in a country like
Rumania, practically devoid of liquid assets, every possible
safeguard would have been extended to foreign capital so as
to attract it, seeing that the country's development and wel-
fare are dependent on it. But instead, post-war Rumanian
legislation has been distinctly inimical to the foreign credi-
tors of the country, and has openly favoured and encour-
aged debtors to repudiate their engagements to such an
extent, that finally all operations based on credit have had to
be suspended. This has had a disastrous effect on Rumanian
commerce, for traders are generally devoid of cash resources
and depend entirely on credit for their operations. Importers
of foreign goods used to obtain their supplies on a six to nine
months credit basis, and were able to extend corresponding
facilities to their customers, so that these transactions really
corresponded to the granting of a short-term loan to
Rumania which was perpetually renewed and which per-
mitted the financing of these operations.

Several laws, amongst which that of the so-called "con-
cordat préventif," finally superseded by the so-termed
"judicial liquidation," have rendered commercial opera-

RUMANIA

439 tions on a credit basis so hazardous that they have prac-
● 452 tically ceased, to the great discomfiture of Rumanian mer-
chants, who have seen their activities completely paralysed.

426 As matters stand, a creditor is at the mercy of his debtor,
452 and if the latter refuses to honour his engagements there is
651 nothing to be done but to accept whatever compromise may
686 be offered, for a recourse to tribunals would be tantamount
to a total loss not only of the amount involved, but of the
supplementary expenses arising from legal disbursements
and inordinately high judicial taxes which unlucky creditors
will have to defray.

[437] What is singular is a tax imposed by the State on all
bankruptcies to the amount of 20 per cent of the total assets
declared, so that this explains, though it can hardly
justify, the State's manifest indifference to the under-
mining of the country's commercial reputation through
fraudulent bankruptcies, the frequency of which is positively
alarming, for it derives corresponding advantages from this
impost on bankruptcies. Instead of attempting to circum-
scribe this evil it would appear that the State has done much
to encourage it, especially where foreigners are involved.
Apparently it is actuated by the shortsighted view that the
loss of the foreigner is to the benefit of the country in
general, since through bankruptcies foreign capital is trans-
ferred to its own nationals. At any rate, bankruptcies have
been regarded as a means of raising revenue, and the State
as a privileged party has always secured its 20 per cent
impost plus other legal taxes, and the debtor has usually
managed to alienate a good part of his assets so as to safe-
guard himself in a very satisfactory manner, while the
wretched creditor not only gets nothing but usually finds he
is being called upon to make further disbursements on
account of legal formalities involved. The *Argus* of June
15th and 16th, 1931, commenting on the law of the "Con-
cordat préventif," qualified it as disastrous, and added:
"Among the principal obstacles which prevent the develop-
ment and normalization of our commerce this law stands in
the front rank. . . . it has given free rein to the unscrupulous
debtor, permitting him to carry out his underhand man-
œuvres without any risks, to sell the goods he bought with-

COMMERCIAL MORALITY

out paying for them, spoliating thereby his creditor and underselling and ruining the honest trader."

The paper advocated a revision of the law and demanded that debtors should be obliged to make a composition on the basis of the ratio existing between the assets and the liabilities, or with a variation of only 10 or 20 per cent of this proportion. As matters now stand a dishonourable merchant is entitled to file a demand for a "Concordat préventif" though his assets may far exceed his liabilities. He is then allowed to pay 40 or 60 per cent of his debts, and after they have been thereby considerably reduced is even accorded a delay of several years to pay them off. With such facilities at hand the majority of merchants did not scruple to avail themselves of the opportunity of repudiating their engagements and so getting rich quickly. The consequence is that commerce has been completely dislocated through the complete suppression of credit which naturally followed. The Under-Secretary of Justice in the Iorga-Argentoianu Government, M. N. Lenguceanu, overtly admitted in the *Neamul Romanesc*, September 5th, 1930, that the above-mentioned law "had permitted merchants, 98 per cent of whom were foreigners, overtly to despoil their creditors." Another very serious defect from which Rumanian legislation suffers is the tendency to enact laws with retroactive effect, which permits the invalidation of contracts, thus creating a state of instability that affects most adversely all commercial and financial operations. For how can foreign investors risk their capital in a country where uncertainty and instability have become its distinguishing features?

Senator Marino, on February 26th, 1932, deplored the disrespect shown for contracts, criticized the State for various measures passed undermining confidence, among which was the moratorium of 1919-1920 by which foreigners had lost some 7 milliard lei, and demanded the granting of serious guarantees which would instil confidence once more. Similar pronouncements by public men abound, for the serious consequence of the present policy are obvious to all.

Professor Flinders Petrie once stated (*Contemporary Re-* 000

12: Kormos S-4, 5 (no date) 1944

ED1 Rumania ED1

[Bessarabia]

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THE PROVINCES

000 down after heavy fighting and the burning of many villages.

635 The political situation¹ in Bessarabia was partly
563 the cause and partly the effect of economic condi-
● [452] tions. Agricultural credit for those peasants who
had received land was non-existent. Communica-
tions were neglected and allowed to fall into com-
plete decay. There was only a small amount of trade,
which was largely in the hands of the Jews. This
encouraged the spread of anti-Semitic propaganda
which was fostered by the Government. The
Ukrainian and Russian population was deprived of
all cultural rights. The German minority was the
best treated, but even the Rumanians of Bessarabia
were regarded by the central government with
suspicion.

635 Following a demand by the Soviet government,
648 which had never recognized the annexation of
Bessarabia, Bessarabia was ceded by Rumania to the
U.S.S.R. in June 1940. When Rumania joined
Germany in the attack on the Soviet Union in 1941
Bessarabia and the Northern Bukovina were again
occupied by Rumanian troops.

2 [i.e. the frequency of popular uprisings -- Analyst]

66 ECONOMIC WEALTH OF THE COUNTRY

231 For the majority of Rumania's peasants the most
433 valuable of all animals are his sheep, of which
Greater Rumania possessed about 12,000,000. Both
the wool and the meat of Rumanian sheep are,
however, of a lower quality than those of Great
Britain or New Zealand. Sheep's milk, and the
cheese made from it, supplement the monotonous
diet of the peasant.

[439] Of the 3,000,000 pigs in Greater Rumania most
were kept in the New Territories and a large pro-
portion of the country's pork production was ex-
ported. Apart from the Rumanian Mangalita, Eng-
lish Berkshires were bred in great numbers.

241 Considered as a whole the agriculture of Greater
Rumania, favoured by good climatic conditions and
great soil fertility, remained undeveloped owing to
the general economic conditions. The peasantry did
not possess the necessary implements, buildings or
animals which could have secured profitable ex-
ploitation of the soil. Financial help was difficult to
obtain, and the loans that were granted were ruinous
to the peasant, owing to the high rate of interest.

[453] Co-operatives were few. Some agricultural banks
and associations confined to the German colonists in
the Banat and in Transylvania were the only ones

[435] which succeeded. Agricultural prices were low and
the peasant was often forced to sell his produce
before the harvest to export trusts which dominated

[654] the market. The only assistance given by the govern-
ment consisted in loans and seeds at reduced prices
for the growing of certain crops, such as soya beans,
for export in order to fulfil international trade

[439] agreements. During the last fifteen years Germany
secured an ever greater influence upon Rumania's
agriculture and took most of its exports.

CHAPTER I

228 in private waters. Supplemented by some 4,000 tons of imported fish, this provided nearly 1 kg. (2.2 lbs.) per head of population, but, in fact, almost all the fish was consumed by the 4 million persons living in towns. The principal fish caught were sturgeon, carp, pike, eels and crayfish, the main fishing centres being Brăila, Tulcea and Ismail.

6. Food Industries

256 The chief food and agricultural-processing industries are milling, sugar manufacture, oilseed crushing and tobacco curing. While the milling industry was dispersed widely about the country, in more than 15,000 small mills employing altogether over 37,000 persons (at 1930 census), the sugar industry was for the most part concentrated in the plain of the C. Kingdom. Of the 17 sugar factories employing 10,000 workers only one was in the Transylvanian districts lost to Hungary and five in the areas temporarily lost to the U.S.S.R.

257 The vegetable-oil industry, located chiefly in Bessarabia, was only partly carried on in factories, of which there were (on January 1st, 1930) 117, employing 2,026 workers. Among these, 34 were fitted both to extract crude oil and to refine it, six were exclusively refineries, while the remainder produced only crude oil. The rest of the industry consisted of some 2,000 hand, or animal-driven presses mostly owned by individual peasants or by shopkeepers. These primitive presses extracted only a low percentage of oil from the seeds, and consequently the cake—mainly sold for export—had an unusually high oil content. As regards tobacco, both curing and cigarette manufacture were subject to government licence and control.

277 There were 29 factories (in 1930) employing 9,720 workers, but tobacco cultivation subsequently declined, so also doubtless did the numbers employed.

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7. Agricultural Organisation

452 The history of the organisation of Rumanian farmers is one of not too successful co-operatives becoming transformed more and more into agencies for the execution of Government Control Schemes.

241 For many years there had been throughout the country a network of agricultural credit societies, co-operative in form but in practice directed by the State. These played an important rôle during the period of the Land Reform in helping the peasants by advances to buy and equip their newly acquired holdings. There was even some co-operative cultivation for a time, until the new peasant-owners could muster sufficient draught animals and implements. Besides this, there have been strong local co-operative unions especially among the minority nationalities—the Hungarians in Transylvania, the Swabian and Saxons in the Banat and the Russian and Polish Jews in the Bucovina.

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243 The credit societies revived in importance when after 1933, the Rumanian Government began the organisation of grain marketing. They became the local agents of a Central Marketing Board through which all sales of grain had to be made both for home consumption and for export.

474 Whereas formerly grain prices slumped immediately after the harvest, most peasants, being obliged to sell their grain quickly, under the new scheme prices were stabilised throughout the year, and this brought a great improvement to peasants' receipts. But the scheme and the societies were also used to collect the peasants' taxes (paid in grain) which did not increase the popularity of co-operation.

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